



Senate

General Assembly

File No. 548

February Session, 2018

Substitute Senate Bill No. 414

Senate, April 17, 2018

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist. and SEN. FRANTZ, L. of the 36th Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT ESTABLISHING A TAX DEDUCTION FOR CONTRIBUTIONS
TO A CITIZENS IN NEED ACCOUNT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2018, and applicable to taxable years*
2 *commencing on or after January 1, 2018*) (a) (1) There is established an
3 account to be known as the "citizens in need account" which shall be a
4 separate, nonlapsing account within the General Fund. The account
5 shall contain any moneys required by law to be deposited in the
6 account.

7 (2) Moneys in the account shall be expended by the Comptroller, in
8 consultation with the Commissioner of Social Services, to assist
9 residents of this state who have had their benefits from social services
10 programs administered by the Department of Social Services reduced
11 due to state budgetary constraints. Such moneys shall not be used for
12 administrative purposes.

13 (b) Any taxpayer may make a charitable contribution to the citizens
14 in need account and such taxpayer shall be allowed a deduction from
15 such taxpayer's adjusted gross income, for purposes of the tax imposed
16 under chapter 229 of the general statutes, at the rate of two hundred
17 per cent of the amount of such contribution.

18 (c) The Commissioner of Social Services may adopt regulations, in
19 consultation with the Comptroller and in accordance with the
20 provisions of chapter 54 of the general statutes, to establish standards
21 or criteria for determining what social services programs are eligible to
22 receive moneys from the account and how disbursements from the
23 account will be made, methods to determine the amounts of and a
24 schedule for making such disbursements and any other regulations
25 necessary to implement the provisions of this section.

26 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
27 section 12-701 of the 2018 supplement to the general statutes is
28 repealed and the following is substituted in lieu thereof (*Effective July*
29 *1, 2018, and applicable to taxable years commencing on or after January 1,*
30 *2018*):

31 (B) There shall be subtracted therefrom:

32 (i) [to] To the extent properly includable in gross income for federal
33 income tax purposes, any income with respect to which taxation by
34 any state is prohibited by federal law; [.]

35 (ii) [to] To the extent allowable under section 12-718, exempt
36 dividends paid by a regulated investment company; [.]

37 (iii) To the extent properly includable in gross income for federal
38 income tax purposes, the amount of any refund or credit for
39 overpayment of income taxes imposed by this state, or any other state
40 of the United States or a political subdivision thereof, or the District of
41 Columbia; [, to the extent properly includable in gross income for
42 federal income tax purposes,]

43 (iv) [to] To the extent properly includable in gross income for

44 federal income tax purposes and not otherwise subtracted from federal
45 adjusted gross income pursuant to clause (x) of this subparagraph in
46 computing Connecticut adjusted gross income, any tier 1 railroad
47 retirement benefits; [.]

48 (v) [to] To the extent any additional allowance for depreciation
49 under Section 168(k) of the Internal Revenue Code, as provided by
50 Section 101 of the Job Creation and Worker Assistance Act of 2002, for
51 property placed in service after December 31, 2001, but prior to
52 September 10, 2004, was added to federal adjusted gross income
53 pursuant to subparagraph (A)(ix) of this subdivision in computing
54 Connecticut adjusted gross income for a taxable year ending after
55 December 31, 2001, twenty-five per cent of such additional allowance
56 for depreciation in each of the four succeeding taxable years; [.]

57 (vi) [to] To the extent properly includable in gross income for
58 federal income tax purposes, any interest income from obligations
59 issued by or on behalf of the state of Connecticut, any political
60 subdivision thereof, or public instrumentality, state or local authority,
61 district or similar public entity created under the laws of the state of
62 Connecticut; [.]

63 (vii) [to] To the extent properly includable in determining the net
64 gain or loss from the sale or other disposition of capital assets for
65 federal income tax purposes, any gain from the sale or exchange of
66 obligations issued by or on behalf of the state of Connecticut, any
67 political subdivision thereof, or public instrumentality, state or local
68 authority, district or similar public entity created under the laws of the
69 state of Connecticut, in the income year such gain was recognized; [.]

70 (viii) [any] Any interest on indebtedness incurred or continued to
71 purchase or carry obligations or securities the interest on which is
72 subject to tax under this chapter but exempt from federal income tax,
73 to the extent that such interest on indebtedness is not deductible in
74 determining federal adjusted gross income and is attributable to a
75 trade or business carried on by such individual; [.]

76 (ix) [ordinary] Ordinary and necessary expenses paid or incurred
77 during the taxable year for the production or collection of income
78 which is subject to taxation under this chapter but exempt from federal
79 income tax, or the management, conservation or maintenance of
80 property held for the production of such income, and the amortizable
81 bond premium for the taxable year on any bond the interest on which
82 is subject to tax under this chapter but exempt from federal income tax,
83 to the extent that such expenses and premiums are not deductible in
84 determining federal adjusted gross income and are attributable to a
85 trade or business carried on by such individual; [.]

86 (x) (I) [for] For taxable years commencing prior to January 1, 2019,
87 for a person who files a return under the federal income tax as an
88 unmarried individual whose federal adjusted gross income for such
89 taxable year is less than fifty thousand dollars, or as a married
90 individual filing separately whose federal adjusted gross income for
91 such taxable year is less than fifty thousand dollars, or for a husband
92 and wife who file a return under the federal income tax as married
93 individuals filing jointly whose federal adjusted gross income for such
94 taxable year is less than sixty thousand dollars or a person who files a
95 return under the federal income tax as a head of household whose
96 federal adjusted gross income for such taxable year is less than sixty
97 thousand dollars, an amount equal to the Social Security benefits
98 includable for federal income tax purposes;

99 (II) [for] For taxable years commencing prior to January 1, 2019, for
100 a person who files a return under the federal income tax as an
101 unmarried individual whose federal adjusted gross income for such
102 taxable year is fifty thousand dollars or more, or as a married
103 individual filing separately whose federal adjusted gross income for
104 such taxable year is fifty thousand dollars or more, or for a husband
105 and wife who file a return under the federal income tax as married
106 individuals filing jointly whose federal adjusted gross income from
107 such taxable year is sixty thousand dollars or more or for a person who
108 files a return under the federal income tax as a head of household
109 whose federal adjusted gross income for such taxable year is sixty

110 thousand dollars or more, an amount equal to the difference between
111 the amount of Social Security benefits includable for federal income tax
112 purposes and the lesser of twenty-five per cent of the Social Security
113 benefits received during the taxable year, or twenty-five per cent of the
114 excess described in Section 86(b)(1) of the Internal Revenue Code;

115 (III) [for] For the taxable year commencing January 1, 2019, and each
116 taxable year thereafter, for a person who files a return under the
117 federal income tax as an unmarried individual whose federal adjusted
118 gross income for such taxable year is less than seventy-five thousand
119 dollars, or as a married individual filing separately whose federal
120 adjusted gross income for such taxable year is less than seventy-five
121 thousand dollars, or for a husband and wife who file a return under
122 the federal income tax as married individuals filing jointly whose
123 federal adjusted gross income for such taxable year is less than one
124 hundred thousand dollars or a person who files a return under the
125 federal income tax as a head of household whose federal adjusted
126 gross income for such taxable year is less than one hundred thousand
127 dollars, an amount equal to the Social Security benefits includable for
128 federal income tax purposes; and

129 (IV) [for] For the taxable year commencing January 1, 2019, and each
130 taxable year thereafter, for a person who files a return under the
131 federal income tax as an unmarried individual whose federal adjusted
132 gross income for such taxable year is seventy-five thousand dollars or
133 more, or as a married individual filing separately whose federal
134 adjusted gross income for such taxable year is seventy-five thousand
135 dollars or more, or for a husband and wife who file a return under the
136 federal income tax as married individuals filing jointly whose federal
137 adjusted gross income from such taxable year is one hundred
138 thousand dollars or more or for a person who files a return under the
139 federal income tax as a head of household whose federal adjusted
140 gross income for such taxable year is one hundred thousand dollars or
141 more, an amount equal to the difference between the amount of Social
142 Security benefits includable for federal income tax purposes and the
143 lesser of twenty-five per cent of the Social Security benefits received

144 during the taxable year, or twenty-five per cent of the excess described
145 in Section 86(b)(1) of the Internal Revenue Code; [.]

146 (xi) [to] To the extent properly includable in gross income for
147 federal income tax purposes, any amount rebated to a taxpayer
148 pursuant to section 12-746; [.]

149 (xii) [to] To the extent properly includable in the gross income for
150 federal income tax purposes of a designated beneficiary, any
151 distribution to such beneficiary from any qualified state tuition
152 program, as defined in Section 529(b) of the Internal Revenue Code,
153 established and maintained by this state or any official, agency or
154 instrumentality of the state; [.]

155 (xiii) [to] To the extent allowable under section 12-701a,
156 contributions to accounts established pursuant to any qualified state
157 tuition program, as defined in Section 529(b) of the Internal Revenue
158 Code, established and maintained by this state or any official, agency
159 or instrumentality of the state; [.]

160 (xiv) [to] To the extent properly includable in gross income for
161 federal income tax purposes, the amount of any Holocaust victims'
162 settlement payment received in the taxable year by a Holocaust victim;
163 [.]

164 (xv) [to] To the extent properly includable in gross income for
165 federal income tax purposes of an account holder, as defined in section
166 31-51ww, interest earned on funds deposited in the individual
167 development account, as defined in section 31-51ww, of such account
168 holder; [.]

169 (xvi) [to] To the extent properly includable in the gross income for
170 federal income tax purposes of a designated beneficiary, as defined in
171 section 3-123aa, interest, dividends or capital gains earned on
172 contributions to accounts established for the designated beneficiary
173 pursuant to the Connecticut Homecare Option Program for the Elderly
174 established by sections 3-123aa to 3-123ff, inclusive; [.]

175 (xvii) [to] To the extent properly includable in gross income for
176 federal income tax purposes, any income received from the United
177 States government as retirement pay for a retired member of (I) the
178 Armed Forces of the United States, as defined in Section 101 of Title 10
179 of the United States Code, or (II) the National Guard, as defined in
180 Section 101 of Title 10 of the United States Code; [.]

181 (xviii) [to] To the extent properly includable in gross income for
182 federal income tax purposes for the taxable year, any income from the
183 discharge of indebtedness in connection with any reacquisition, after
184 December 31, 2008, and before January 1, 2011, of an applicable debt
185 instrument or instruments, as those terms are defined in Section 108 of
186 the Internal Revenue Code, as amended by Section 1231 of the
187 American Recovery and Reinvestment Act of 2009, to the extent any
188 such income was added to federal adjusted gross income pursuant to
189 subparagraph (A)(xi) of this subdivision in computing Connecticut
190 adjusted gross income for a preceding taxable year; [.]

191 (xix) [to] To the extent not deductible in determining federal
192 adjusted gross income, the amount of any contribution to a
193 manufacturing reinvestment account established pursuant to section
194 32-9zz in the taxable year that such contribution is made; [.]

195 (xx) [to] To the extent properly includable in gross income for
196 federal income tax purposes, (I) for the taxable year commencing
197 January 1, 2015, ten per cent of the income received from the state
198 teachers' retirement system, (II) for the taxable years commencing
199 January 1, 2016, January 1, 2017, and January 1, 2018, twenty-five per
200 cent of the income received from the state teachers' retirement system,
201 and (III) for the taxable year commencing January 1, 2019, and each
202 taxable year thereafter, fifty per cent of the income received from the
203 state teachers' retirement system or the percentage, if applicable,
204 pursuant to clause (xxi) of this subparagraph; [.]

205 (xxi) [to] To the extent properly includable in gross income for
206 federal income tax purposes, except for retirement benefits under
207 clause (iv) of this subparagraph and retirement pay under clause (xvii)

208 of this subparagraph, for a person who files a return under the federal
209 income tax as an unmarried individual whose federal adjusted gross
210 income for such taxable year is less than seventy-five thousand dollars,
211 or as a married individual filing separately whose federal adjusted
212 gross income for such taxable year is less than seventy-five thousand
213 dollars, or as a head of household whose federal adjusted gross income
214 for such taxable year is less than seventy-five thousand dollars, or for a
215 husband and wife who file a return under the federal income tax as
216 married individuals filing jointly whose federal adjusted gross income
217 for such taxable year is less than one hundred thousand dollars, (I) for
218 the taxable year commencing January 1, 2019, fourteen per cent of any
219 pension or annuity income, (II) for the taxable year commencing
220 January 1, 2020, twenty-eight per cent of any pension or annuity
221 income, (III) for the taxable year commencing January 1, 2021, forty-
222 two per cent of any pension or annuity income, (IV) for the taxable
223 year commencing January 1, 2022, fifty-six per cent of any pension or
224 annuity income, (V) for the taxable year commencing January 1, 2023,
225 seventy per cent of any pension or annuity income, (VI) for the taxable
226 year commencing January 1, 2024, eighty-four per cent of any pension
227 or annuity income, and (VII) for the taxable year commencing January
228 1, 2025, and each taxable year thereafter, any pension or annuity
229 income; [.]

230 (xxii) [the] The amount of lost wages and medical, travel and
231 housing expenses, not to exceed ten thousand dollars in the aggregate,
232 incurred by a taxpayer during the taxable year in connection with the
233 donation to another person of an organ for organ transplantation
234 occurring on or after January 1, 2017; [, and]

235 (xxiii) [to] To the extent properly includable in gross income for
236 federal income tax purposes, the amount of any financial assistance
237 received from the Crumbling Foundations Assistance Fund or paid to
238 or on behalf of the owner of a residential building pursuant to sections
239 8-442 and 8-443; [.] and

240 (xxiv) The amount calculated pursuant to subsection (b) of section 1

241 of this act for contributions made under said section during the taxable
242 year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2018, and applicable to taxable years commencing on or after January 1, 2018</i>	New section
Sec. 2	<i>July 1, 2018, and applicable to taxable years commencing on or after January 1, 2018</i>	12-701(a)(20)(B)

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Comptroller	GF- Citizens In Need Account - Revenue Gain	300,000	300,000
Comptroller	GF - Cost	55,800	55,800
State Comptroller - Fringe Benefits ¹	GF - Cost	20,272	20,272
Department of Revenue Services	GF - Cost	40,000	None
Department of Revenue Services	GF - Revenue Loss	31,500	31,500

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a "citizens in need account" that is funded through voluntary contributions for which a 200% state income tax deduction is available, is estimated to result in: 1) a \$300,000 annual revenue gain to the "citizens in need account" within the General Fund beginning in FY 19, 2) a \$31,500 annual General Fund revenue loss beginning in FY 19, 3) an annual cost to the Office of the State Comptroller (OSC) of approximately \$76,072 beginning in FY 19, and 4) a one-time cost to the Department of Revenue Services (DRS) in FY 19 only.

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.33% of payroll in FY 19 and FY 20.

The bill also makes permanent an income tax deduction for pension and annuity income currently scheduled to expire in 2025. This results in a significant revenue loss in the out years.

The estimated \$300,000 revenue gain to the “citizens in need account” is based on the average annual amount of voluntary contributions currently made to various charitable programs via state income tax refunds. The estimated revenue loss assumes an average effective income tax rate of 5.2% applied to the estimated \$300,000 in voluntary contributions, the product of which is doubled to estimate the impact of the 200% deduction provision.

It is anticipated that the OSC would require one Assistant Accountant to administer the “citizens in need account” at an annual cost of \$76,072 (\$55,800 for salary and \$20,272 for fringe benefits). Additionally, the bill results in a one-time cost of \$40,000 in FY 19 for the DRS to establish a new subtraction modification and accompanying schedule on the income tax, as well as changes to the online Taxpayer Service Center and internal Integrated Tax Administration System.

The Out Years

The annualized ongoing cost impact identified above would continue into the future subject to inflation.

The extension of the 100% income tax deduction for pension and annuity income for qualifying taxpayers results in an annualized revenue loss of \$57.5 million in FY 26 and \$115 million in FY 27 and annually thereafter.

OLR Bill Analysis**sSB 414*****AN ACT ESTABLISHING A TAX DEDUCTION FOR CONTRIBUTIONS TO A CITIZENS IN NEED ACCOUNT.*****SUMMARY**

This bill establishes a personal income tax deduction for charitable contributions to assist Connecticut residents whose social service benefits have been reduced because of budget constraints. Under the bill, taxpayers who make voluntary contributions to a separate nonlapsing General Fund account the bill establishes (i.e., the “citizens in need account”) are eligible for a deduction equal to 200% of their contribution. The account must also contain any other money the law requires.

The bill also makes permanent the personal income tax deduction for pension and annuity income which is currently scheduled to phase out from the 2019 to 2025 tax years, and end after 2025. Under the bill, eligible taxpayers may deduct 100% of such income for tax years beginning in 2025, and each tax year thereafter. By law, the deduction applies to taxpayers with federal adjusted gross incomes below (1) \$75,000 for single filers, married people filing separately, and heads of households and (2) \$100,000 for married people filing jointly.

EFFECTIVE DATE: July 1, 2018, and applicable to tax years beginning on or after January 1, 2018.

CITIZENS IN NEED ACCOUNT

The comptroller, in consultation with the Department of Social Service (DSS) commissioner, must use the account to fund only assistance to residents who have had their DSS program benefits reduced due to budget cuts and may not use the account for administrative purposes. The DSS commissioner may adopt

regulations, in consultation with the comptroller, establishing:

1. standards or criteria for determining the programs that may be funded from the account and how disbursements will be made,
2. the schedule and methods for determining and making benefit payments, and
3. other requirements for funding these payments.

BACKGROUND

Related Bills

sSB 10 and sHB 5433, favorably reported by the Finance, Revenue and Bonding Committee, contain identical provisions that make permanent the personal income tax deduction for pension and annuity income.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 33 Nay 14 (04/05/2018)